

Mark Scheme (Results)

GCE Business 6BS04/01

Summer 2015

Unit 4A Making Business Decisions

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Question	
<b>1.</b>	What is meant by the term 'Stakeholder? (See Additional Evidence K line 1)	
	Answer	Mark
	<p><b>Knowledge up to 2</b></p> <ul style="list-style-type: none"> <li>• An individual or group that affects (1 mark) or is affected by the actions of a business (1 mark)</li> <li>• An organisation or group (1 mark) with an interest or connection in/to the performance of the business (1 mark)</li> <li>• The following examples may lift marks to two if there is a partial/vague definition: Employees (1 mark) Suppliers (1 mark); customers (1); Owners (1 mark)</li> <li>• 1 mark for partial or vague definition but a valid example lifts to 2 marks.</li> <li>• Any other suitable alternative</li> </ul>	<b>1-2</b>

Question Number	Question	
<b>2.</b>	What is meant by the term 'corporate culture? (See Additional Evidence K line 3)	
	Answer	Mark
	<p><b>Knowledge up to 2:</b></p> <ul style="list-style-type: none"> <li>• 'The way things are done around here.' (1 mark) for example, attitudes/beliefs/values (1 mark)</li> <li>• The unwritten norms (1 mark) that affect the attitudes, decision-making and management style of its staff (1 mark)</li> <li>• Examples might include: Handy's (1 marks) role(1 mark); person (1 mark); power (1 mark)</li> <li>• 1 mark for partial or vague definition but a valid example lifts to 2 marks.</li> <li>• Any other suitable alternative.</li> </ul>	<b>1-2</b>

Question Number	Question	
3.	Explain <b>one</b> way in which the Center Parcs' labour turnover calculation measures its human resources competitiveness (Additional Evidence K)	
	Answer	Mark
	<p><b>Knowledge and understanding 1</b></p> <ul style="list-style-type: none"> <li>• Labour turnover is the number of staff leaving a business in a year (1 mark)</li> <li>• Labour turnover is the number of staff leaving a business compared to the total who work there (1 mark)</li> <li>• Labour turnover = Number of employees leaving/average number of employees (X 100-<i>not essential</i>)(or similar)</li> <li>• Percentage of people leaving the business (1 mark)</li> </ul> <p><b>Application 1</b></p> <ul style="list-style-type: none"> <li>• Center Parcs' labour turnover in 2013 was 23% (1 mark)</li> <li>• 30% of workers have been with Center Parcs for three or more years (1 mark)</li> <li>• Labour turnover could be compared to a rival/competitor e.g. Butlins (1 mark)</li> </ul> <p><b>Analysis up to 2</b></p> <ul style="list-style-type: none"> <li>• Center Parcs' labour turnover being low compared to the industry average suggests that a smaller proportion of staff is leaving the business than in other leisure companies. (1 mark)</li> <li>• This is one indication that human resources are being managed effectively e.g. recruitment/training/retention (1 mark)</li> </ul>	<p><b>1</b></p> <p><b>1</b></p> <p><b>1 - 2</b></p> <p><b>Total (4 marks)</b></p>

Question Number	Question	
4.	<p>Center Parcs Woburn village was estimated to cost £250m to build. (Evidence A)</p> <p>Explain one limitation to Center Parcs of using the Net Present Value method of investment appraisal when considering investing in projects such as this.</p>	
	Answer	Mark
	<p><b>Knowledge 1 mark</b></p> <ul style="list-style-type: none"> <li>• NPV is the value today of future estimated cash flows resulting from an investment (1 mark)</li> <li>• NPV shows the time value of money (1 mark)</li> <li>• NPV uses discount factors (1 mark)</li> <li>• NPV formula = Estimated cash flows X discount rate added together – initial investment cost</li> </ul> <p><b>Application 1 mark</b></p> <ul style="list-style-type: none"> <li>• The new village will take over a year to build (1 mark)</li> <li>• The £250m will not be worth today's value in the future (1 mark)</li> <li>• Center Parcs could have invested the £250m into a bank account instead of investing in Woburn village (1 mark)</li> </ul> <p><b>Analysis up to 2 marks</b></p> <ul style="list-style-type: none"> <li>• NPV relies on accurately estimating the interest rate being charged by lenders for the lifetime of the investment (1 mark) these may change and affect expected returns (1 mark)</li> <li>• The projected cash flows are always estimates and the new village at Woburn may be more or less successful (1 mark) than had been estimated due to economic changes (1 mark)</li> </ul>	<p><b>1</b></p> <p><b>1</b></p> <p><b>1 - 2</b></p> <p><b>Total (4 marks)</b></p>

Question Number	Question	
<b>5. (a)</b>	Using Evidence D, calculate Center Parcs' Gross Profit Margin and Net Profit Margins for 2012 <b>and</b> 2013.	
	Answer	Mark
	<p><b>Knowledge, up to 2 marks</b></p> <p>Gross Profit Margin = <math>\frac{\text{Gross Profit}}{\text{Revenue}} \times 100</math></p> <p>Net Profit Margin = <math>\frac{\text{Net Profit}}{\text{Revenue}} \times 100</math></p> <p>Some understanding of profitability - allow 1 mark</p> <p><b>Application, up to 2 marks (1 mark per ratio)</b></p> <p>2012: GPM: <math>257.6/291.7 \times 100 = 88\%</math> (88.3%)  NPM: <math>107.4/291.7 \times 100 = 37\%</math> (36.8%)  2013: GPM: <math>272.1/303.5 \times 100 = 90\%</math> (89.6%)  NPM: <math>111.1/303.5 \times 100 = 37\%</math> (36.6%)</p> <p><b>NB:</b> if answers are correct and no workings (4 marks)</p>	<p><b>2</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>Total</b> <b>4</b> <b>marks</b></p>

Question Number	Question	
<b>5. (b)</b>	Comment on the results of your calculations in 5(a).	
	Answer	Mark
	<p><b>Application up to 2 marks – comparative statements about margins</b></p> <ul style="list-style-type: none"> <li>• GPM has increased by 2% points (1 mark)</li> <li>• NPM has not changed (on rounded figures) (1 mark)</li> </ul> <p><b>OFR applies to application</b></p> <p><b>NB allow accurate comparative statements based on differently rounded figures e.g. NPM has fallen by 0.2%</b></p> <p><b>Analysis up to 2 marks – interpreting results</b></p> <ul style="list-style-type: none"> <li>• The large gap between GPM and NPM (1 mark) suggests that expenses are a large factor for Center Parcs (1 mark)</li> <li>• As service sector business will have low cost of sales relative to revenue (1 mark) GPM is likely to be high (1 mark)</li> <li>• NPM is lower as expenses will include staffing and maintenance (1 mark) which are a large area of costs for a service business such as Center Parcs</li> <li>• GPM has increased but NPM hasn't (1 mark), this suggests that expenses have risen with increased Gross Profit.</li> </ul> <p><b>OFR applies to analysis</b></p>	<p><b>2</b></p> <p><b>2</b></p> <p><b>Total 8 marks</b></p>



Question Number	Question		
6.	Assess the likely value of Critical Path Analysis/Network analysis to ISG in planning the building of the accommodation blocks at the new Woburn village (See Evidence C).		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of Critical Path/network analysis.	<ul style="list-style-type: none"> <li>• Critical Path analysis shows the total time a project takes to complete</li> <li>• It includes earliest start time; latest finish time; float time</li> </ul>
Level 2	3-4	Answers should be applied to Center Parcs building project	<ul style="list-style-type: none"> <li>• ISG have a 59 week time limit on building accommodation</li> <li>• This is an expensive and complex building project, valued at £61m</li> <li>• ISG have worked on other large projects such as the Olympics</li> <li>• ISG could incur financial penalties for not completing on time</li> </ul>
Level 3	5-6	<p>Candidate analyses using reasons/causes/consequences/costs of the likely usefulness of critical path analysis to Center Parcs.</p> <p>Arguments will be one-sided.</p> <p><b>NB Cap at 5 for analysis without application.</b></p> <p><b>Cap at 6 for attempted evaluation without context.</b></p>	<ul style="list-style-type: none"> <li>• ISG have a 'fast track' 59 week period to complete the work, so it is crucial that they minimise wasted time – CPA helps with this by allowing tasks such as external decoration and electrical work in the lodges to occur at the same time (parallel)</li> <li>• ISG operate using JIT, so CPA would allow building materials/ components to arrive when they are needed and not need to be stored in the meantime</li> </ul>
Level 4	7-10	<p><u>Low Level 4: 7 - 8 marks</u> Arguments for and against the use of CPA for this building project</p> <p><u>High Level 4: 9 -10 marks</u> Expect to see convincing evaluative points with a</p>	<ul style="list-style-type: none"> <li>• CPA is time consuming to create and with a time-sensitive project like this it might be better to simply get on with the work especially as ISG are experienced builders (Olympics)</li> <li>• Unforeseen circumstances such as severe weather could extend the building process beyond the 59 weeks which could mean that the CPA estimates quickly become inaccurate.</li> <li>• CPA will help ISG to gain an understanding of how to ensure that the 59 week schedule is met. It will</li> </ul>

		conclusion.	allow ISG to organise their resources and trade partners effectively. However, as the project consists of a number of different small projects than one large one, it might be that the time and organisation required by ISG to devise such a network, is not worth it.
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Question Number	Question		
<b>7.(a)</b> <b>QWC i-iii</b>	Assess the importance of Corporate Social Responsibility to Center Parcs.		
Level	Mark	Descriptor	Possible Content
<b>Level 1</b>	1-3	<p>Candidate shows knowledge of corporate social responsibility</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</i></p>	<ul style="list-style-type: none"> <li>Corporate social responsibility refers to businesses acting towards the interests of stakeholder groups over and above what is required by law</li> <li>It involves aiming to treat workers well and minimise the environmental impact of a business' activity</li> </ul>
<b>Level 2</b>	4-7	<p>Candidate applies knowledge of corporate social responsibility to Center Parcs.</p> <p><u>Low Level 2: 4-5 marks</u> Application is weak.</p> <p><u>High Level 2: 6-7 marks</u> Application to Center Parcs of CSR.</p> <p><i>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> <li>Center Parcs invests in its employees at the Center Parcs academy</li> <li>Center Parcs has gained the Carbon Trust award</li> <li>Cars are banned from use during guests stays, reducing traffic and pollution in the park</li> <li>Center Parcs itself has invested in electrical transport</li> </ul>
<b>Level 3</b>	8-14	<p><u>Low level 3: 8 – 9 marks</u> Candidate will <b>attempt very basic analysis of the importance of CSR to Center Parcs</b> One reason/cause/cost and /or consequence is outlined.</p> <p>Cap at 8 for no context.</p> <p><u>Medium level 3: 10 – 11 marks</u> Candidate looks at two reasons/causes/costs and/or consequences of CSR being important to Center Parcs.</p> <p><u>High Level 3: 12 – 14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p>	<ul style="list-style-type: none"> <li>The glulam beams are sustainably sourced under the Programme for the Endorsement of Forest Certification (PEFC) system, meaning that for every tree used another is planted. This is unlikely to be the cheapest source of raw materials and so shows Center Parcs commitment to the environment</li> <li>The use of electric vehicles is aimed at reducing emissions and improving the environment at each holiday park – again this is not the cheapest option at £2m for the whole fleet but would strengthen the brand image of Center Parcs</li> <li>The Center Parcs academy</li> </ul>

		<p>Answer will be one-sided.</p> <p><i>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i></p>	<p>gives staff the opportunity to gain transferable qualifications, this means that they could leave the business, but Center Parcs see the wider value in well-trained staff.</p>
<b>Level 4</b>	15-20	<p><u>Low Level 4: 15-16</u> One attempt to evaluate the importance of CSR to Center Parcs</p> <p><u>Mid Level 4: 17-18</u> Two or more attempts to evaluate the importance of CSR to Center Parcs</p> <p><u>High Level 4: 19-20</u> Candidate will make a clear conclusion as to the importance of CSR to Center Parcs (MOPS - Market, Objectives, Product, Situation), after two or more evaluative points.</p> <p><i>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> <li>• Glulam beams are manufactured in Vienna and shipped from there for construction; it could be argued that this is not a particularly sustainable/ethical approach</li> <li>• Center Parcs is a private business with shareholders who demand a return on their investment, therefore profit will always be the main objective and Center Parcs is increasingly profitable</li> <li>• It is likely that CSR helps to improve the business image with certain customers, which has the knock-on effects of improving occupancy rates and therefore profits.</li> <li>• Center Parcs, despite their attempts to act in a socially responsible manner are still choosing to expand in a previously unspoilt area of wood land. Although they may genuinely attempt to minimise their impact on the environment once operating, profit is still likely to be the main objective.</li> </ul>

Question Number	Question		
7b	<p>In 2013 Center Parcs had to decide which creative agency they would use for the next five years.</p> <p><b>*(b)</b> Assess the usefulness of decision trees to Center Parcs when making this choice.</p>		
Level	Mark	Descriptor	Possible Content
<b>Level 1</b>	1-3	<p>Candidate shows knowledge of decision trees.</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</i></p>	<ul style="list-style-type: none"> <li>Decision trees allow a business to attach probabilities to different events and calculate potential financial reward</li> <li>Decision points show where a decision is made and are usually drawn as squares</li> <li>Chance points are normally drawn as circles and these show where there are different probabilities of different outcomes</li> </ul>
<b>Level 2</b>	4-7	<p>Candidate applies knowledge of decision trees to Center Parcs</p> <p><u>Low Level 2: 4 - 5 marks</u> Application is weak</p> <p><u>High Level 2: 6 -7 marks</u> Application to Center Parcs of using decision trees is sound</p> <p><i>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</i></p>	<p>The cost of the account is £5m</p> <ul style="list-style-type: none"> <li>Opening new Woburn site gives opportunity to choose new creative agency (decision node)</li> <li>Decision trees would provide estimates of probability and expected value to the choice between BMB and BS</li> </ul>
<b>Level 3</b>	8 -16	<p>Answer will be one-sided.</p> <p><u>Low level 3: 8 – 10 marks</u> Candidate will attempt very basic analysis of Center Parcs use of decision trees</p> <p><b>Cap at 8 for no context</b></p> <p><u>Medium level 3: 11 – 13 marks</u> Candidate clearly analyses the benefits/ problems of using decision trees to Center Parcs</p>	<ul style="list-style-type: none"> <li>Decision trees provide Center Parcs with a visual and numeric method of comparing alternative agencies by estimating an expected monetary value which enables Center Parcs managers to make an informed choice about which agency to use.</li> </ul>

		<p><u>High Level 3: 14 – 16 marks</u> Analysis is wide-ranging - decision tree where qualitative factors are explained reasons/causes/costs and/or consequences to Center Parcs are outlined.</p> <p><i>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> <li>• BS had a number of new marketing ideas (see evidence G) which suggests they may be in a better position to stimulate customer interest in the new holiday village in Woburn</li> <li>• BS has outlined plans to use new technology in its marketing strategy and this might be successful in attracting customers from the target market of middle class/middle age families</li> <li>• Center Parcs is an experienced business and has used a number of marketing agencies in the past, so the forecasts of probabilities and returns are likely to be accurate.</li> <li>• Using decision trees helps to show a complex financial decision clearly to all stakeholders involved, for example, the shareholders and the Blackstone group, Center Parcs UK's owners.</li> </ul>
<p><b>Level 4</b></p>	<p>17-30</p>	<p>Answer will be two sided in context</p> <p><u>Threshold level 4: 17 – 18 marks</u> One limited attempt to evaluate the reasons for Center Parcs using decision trees</p> <p><u>Low Level 4: 19- 21</u> Two evaluative points made which look at the reasons for and against Center Parcs using decision trees</p> <p><u>Mid Level 4: 22 - 24</u> The candidate looks at the financial, non-financial and the limitations of decision-tree analysis.</p>	<ul style="list-style-type: none"> <li>• Decision trees are only of limited value when making a decision to choose an advertising agency because of the uncertainties involved in calculating probabilities and expected financial outcomes; the impact of advertising is so difficult to forecast.</li> <li>• Decision trees are only of limited value because of other more important factors such as: BMB</li> </ul>

		<p><u>High Level 4: 25 -30</u>  Candidate will make a clear conclusion about the usefulness of decision trees to Center Parcs (MOPS)</p> <p><i>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</i></p>	<p>are experienced at working with Center Parcs and are likely to have a good understanding of their clients' needs – they may have been involved in the marketing during other new holiday village openings.</p> <ul style="list-style-type: none"> <li>• The probabilities and financial forecasts are estimates and therefore subject to error. As the evidence suggests BS are less experienced in this area of marketing, so some of the estimates they used regarding probabilities and possible financial gains could be very inaccurate.</li> <li>• Decision trees will help to provide Center Parcs with a quantitative estimate about their choice of advertising agencies, there are limitations with this decision-making technique. There may be inaccuracies in the estimates used due to factors such as inexperience with working on such an accounts or chances in circumstance. Importantly, decision trees cannot consider qualitative factors such as the new marketing ideas that B&amp;S are planning to use in their campaign. Decision trees are therefore of limited value to Center Parcs in a decision of this nature.</li> </ul>
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